

Quarterly Report

September 30, 2014
(Unaudited)



Funds Under Management
of
MCB-Arif Habib Savings and Investments Limited

**PAKISTAN
CAPITAL MARKET FUND**

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman Executive Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib	Chairman Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & Chief Operating Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Umair Ahmed	
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited United Bank Limited Bank Al-Habib Limited Standard Chartered Bank Pakistan Limited Habib Metropolitan Bank Limited	
Auditors	KPMG Taseer Haidi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2, Beaumont Road, Karachi-75530.	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 - Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2014

Dear Investor,

On behalf of the Board of Directors, I am pleased to present Pakistan Capital Market Fund's accounts review for the first quarter ended September 30th 2014.

ECONOMY AND MONEY MARKET OVERVIEW

Delay in implementation of fiscal reforms and phasing out of subsidies on tariffs, in the presence of lower commodity prices, helped contain inflation, with CPI averaging at 7.52% during 1QFY15. If oil prices, which eased down to a five-year low in October, stays at the current level, inflation is likely to remain on the lower side during FY15.

Surge in imports, mainly petroleum products, along with a slowdown in exports, widened the country's current account deficit to \$1.37 billion during 2MFY15, significantly higher than the deficit of around \$0.58 billion incurred during the same period last fiscal year. Poor law and order situation and energy crisis are the major culprits behind negative growth in exports. At the same time, financial account registered a surplus of \$0.45 billion as compared to a surplus of \$0.19 billion recorded during the corresponding period last year. Improvement in financial account is mainly due to sell-off of financial assets abroad.

The recent political disruption has stalled progress on the completion of economic and fiscal targets set by International Monetary Fund. This along with wide current account deficit and absence of foreign inflows contributed to a drop in foreign reserves to \$13.21 billion as on 26-Sep-14, after touching a high of \$14.6 billion in July. Therefore, the local currency fell by more than 3.2 percent against dollar during 1QFY15.

Although, the government is optimistic on the economic front on the back of tepid inflationary pressures, contained government borrowings and improved debt profile, fragile political situation in the country has been forcing the policy makers to err on the side of caution to arrest decline in foreign reserves. This is evident from the recent monetary policy announcement in which policy makers kept the discount rate unchanged at around 10 percent.

On the heels of structural reforms, the country's performance on the fiscal side improved in FY14 as the country recorded a fiscal deficit of 5.5 percent lower than the year's target of 6.3 percent and the previous year's level of 8.8 percent (included one-off adjustment for circular debt). The major improvement in fiscal account came on the account of abnormal increase in Non-Tax revenue and restrained development expenditures.

In the money market, short term market rates remained on the higher side amid tight liquidity in the system. M2 has contracted by 1.52 percent in the 1QFY15 (till 26th Sep) as opposed to the contraction of 0.65 percent during the same period last year. While Borrowing from SBP increased marginally by Rs19 billion as compared to net increase in borrowing of around Rs 444.7 billion during the same period last year.

PIB rates inched up, as the government looks to move its borrowing from central bank to commercial banks, causing the yield curve to rise sharply upwards from 2 years. Moreover, unprecedented participation was seen with major concentration in a 2-year instrument. The rates are on slightly longer end, albeit higher have shown a rising trend despite controlled inflation because of unprecedented supply.

EQUITIES MARKET OVERVIEW

Local stock market remained volatile in the wake of growing apprehension on the political front during the first quarter of the current fiscal year. The index posted a return of 2.2 percent and 4.1 percent during July and September, respectively, but on account of poor performance in August the benchmark index recorded a total gain of 0.25 percent during the 1QFY15, with KSE-100 index closing at 29,726.39 at the end of the quarter.

Demonstrations and sit-ins across the country took its toll on the stock market's performance during August, but the gradual drop in political temperature in September helped in restoring confidence over the continuity of the current democratic system. Local investors' interest remained subdued. This can be gauged from the fact that the average turnover stood at 131 million shares during 1QFY15 as opposed to the average turnover of 236 million shares during 2HFY14. Although local investors

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2014

took a cautious stance and preferred to remain on the sideline, foreign investors remained upbeat on the market and remained net buyer with a cumulative net inflow of US\$ 165.77 million during the period under review.

Auto sector and small capital stocks stayed in the limelight, while performance of Oil and Gas, Cement, and Banks remained unimpressive.

FUND PERFORMANCE

During the period under review PCMF delivered a return of 3.42% as against its benchmark return of 0.18%, an outperformance of 2.24%. On the equities front, the overall allocation increased during the period to 66% from 64.4% in June 2014. The fund increased its exposure mainly in Construction & Materials and Commercial Bank sectors, while exposure was decreased in Electricity and Oil & Gas sector.

On the fixed income side, the fund built its exposure to Treasury Bills to 14% and decreased the exposure in TFCs to 1.5%.

The Net Assets of the Fund as at September 30, 2014 stood at Rs. 372 million as compared to Rs. 365 million as at June 30 2014 registering an increase of 1.92%. The Net Asset Value (NAV) per unit as at September 30, 2014 was Rs. 9.37.

FUTURE OUTLOOK

The country's import bill is likely to ease off after a lag of few months on the account of lower oil prices. Conversely, weak cotton prices might annul the benefit arising from lower oil prices on the country's trade balance. Although the government is eyeing increase in foreign inflows through pledges made by multilateral agencies, approved project financing and divestment of strategic assets, improvement in reserve position largely hinges on the country's political condition. In the near-term, realization of expected inflows-through divestment of shares of OGDCL and HBL and issuance of dollar-denominated Sukuks would be crucial.

We believe that the sustainability of external account, in the presence of subdued inflationary pressures, would be a key factor in shaping up interest rate direction. Lower commodity price, in the presences of stable local currency and higher base effect, is likely to keep inflationary pressure on the lower side during the year.

With the market expecting interest rates to remain stable and oil prices lower, profitability of power intensive companies such as: Textile and Cement are expected to improve. On the contrary, lower oil prices bode ill for Exploration and Production and Oil Marketing Companies.

In the face of stable fundamentals and better expectation of financial results of manufacturing companies, we expect the bourse to remain range bound in short term amid lack of clarity on the future of the current government. Above all, the equity market will continue to attract foreign investors owing to divestment of the government's holding in the listed companies and increase in the country's weight in MSCI FM Index.

ACKNOWLEDGMENT

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

On behalf of Directors,



Yasir Qadri

Chief Executive Officer

Dated: October 20, 2014

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

AS AT SEPTEMBER 30, 2014

		Un-Audited September 30, 2014	Audited June 30, 2014
	Note	-----Rupees in '000-----	
ASSETS			
Balances with banks		63,758	41,664
Dividend and other receivables		2,185	1,726
Investments	4	315,127	315,979
Advances and Deposits		5,371	9,770
Receivable against sale of investments		-	9,941
Total assets		386,441	379,080
LIABILITIES			
Payable to the Management Company		698	714
Payable to Central depository Company Of Pakistan Limited - Trustee		61	59
Payable to the Securities and Exchange Commission of Pakistan		79	304
Dividend payable		2,783	2,783
Payable against redemption of units		216	216
Accrued expenses and other liabilities	5	11,071	10,368
Total liabilities		14,907	14,444
NET ASSETS		371,534	364,636
Unit holders' funds		371,534	364,636
-----Number of units-----			
Number of units in issue		39,667,768	40,226,029
-----Rupees-----			
NET ASSET VALUE PER UNIT		9.37	9.06

The annexed notes form an integral part of this condensed interim financial information.


 Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(Management Company)


 Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2014

	September, 30 2014	September, 30 2013
Note	-----Rupees in '000-----	
INCOME		
Capital gain on sale of investments - net	1,678	10,593
Dividend income	2,015	4,665
Income from government securities	1,167	1,818
Income from term finance certificates	813	1,720
Profit on bank deposits	1,156	1,136
Other Income	7	-
	<u>6,835</u>	<u>19,933</u>
Net unrealised appreciation / (diminution) on remeasurement of investments classified as financial assets 'at fair value through profit or loss'	<u>8,686</u>	<u>(5,397)</u>
Total income	15,521	14,536
OPERATING EXPENSES		
Remuneration of Management Company	1,853	2,140
Sindh Sales Tax and Federal excise Duty on Management Fee	619	739
Remuneration of Central Depository Company of Pakistan Limited- Trustee	185	214
Annual fee - Securities and Exchange Commission of Pakistan	79	91
Brokerage Expense	396	472
Auditors' remuneration	124	124
Other Expenses	223	140
Total operating expenses	3,479	3,920
Net income from operating activities	12,042	10,616
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net	(123)	175
Provision for Workers' welfare fund	5.2 (238)	(216)
Net income for the period before taxation	11,682	10,575
Taxation	6 -	-
Net income for the period after taxation	11,682	10,575
Other comprehensive income for the period		
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	86	
Total comprehensive income for the period	11,767	10,575
Earnings per unit	7	

The annexed notes form an integral part of this condensed interim financial information.


 Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(Management Company)


 Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014

	September, 2014	—	September, 2013
	-----Rupees in '000-----		
Accumulated loss brought forward	(37,684)		(13,667)
Distribution to the unit holders of the fund			
Final Distribution at the rate of Rs. 1.2760 per unit declared on 04 july 2013			
- Bonus distribution	-		(52,845)
	(37,684)		(66,512)
Total comprehensive income for the period	11,767		10,575
Element of income / (loss) and capital (losses) / gains			
included in prices of units issued less those in units redeemed	1,009		(10,811)
	12,776		(236)
Accumulated loss carried forward	(24,908)		(66,748)

The annexed notes form an integral part of this condensed interim financial information.


 Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
 (Management Company)


 Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014

	September, 2014	September, 2013
	-----Rupees in '000-----	
Net assets at the beginning of the period	364,636	400,536
Issue of 2,820,268 units (2013: 1,217,834 units).	25,981	10,708
Redemption of 3,378,529 units (2013: 801,288 units).	(30,973)	(7,038)
Issue of Nil bonus units (2013: 6,298,572 bonus units)	-	52,845
	(4,992)	56,515
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement	123	(175)
- amount representing (income) / loss that forms part of unit holders' fund - transferred to distribution statement	(1,009)	10,811
	(886)	10,636
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - amount representing unrealised income	1,009	(10,811)
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	86	-
Net unrealised appreciation / (diminution) in fair value of investments classified as financial assets 'at fair value through profit or loss'	8,686	(5,397)
Capital Gain on sale of investment- net	1,678	10,593
Other operating Income	1,318	5,379
Net income for the period	11,767	10,575
Final distribution at the rate of Rs. 1.2760 Per unit declared on 04 July 2013		
- Bonus distribution	-	(52,845)
Net assets at the end of the period	371,534	414,606

The annexed notes form an integral part of this condensed interim financial information.


Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(Management Company)


Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2014

September, September,
2014 2013
-----Rupees in '000-----

CASH FLOWS FROM OPERATING ACTIVITIES

Net income for the period before taxation 11,682 10,575

Adjustments:

Net unrealised diminution/ (appreciation) on remeasurement of investments
classified as financial assets 'at fair value through profit or loss' (8,686) 5,397

Element of (income) / loss and capital (gains) / losses included
in prices of units issued less those in units redeemed - net 123 (175)

3,119 15,797

(Increase)/ Decrease in assets

Receivable against issue of units 9,941 (4,553)

Investments - net 9,624 2,418

Profit and dividend receivable (459) (2,802)

Advances, deposits and prepayments 4,399 (26)

23,505 (4,964)

Increase / (decrease) in liabilities

Payable to the Management Company (16) (45)

Payable to the Trustee 2 57

Annual fee payable to the Securities and Exchange Commission of Pakistan (225) (231)

Payable against redemption of units - 220

Accrued expenses and other liabilities 703 668

463 669

Net cash inflow from operating activities 27,086 11,502

CASH FLOW FROM FINANCING ACTIVITIES

Net receipts against sale of units 25,981 10,708

Net payments against redemption of units (30,973) (7,038)

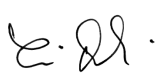
Net cash (outflow) / inflow on financing activities (4,992) 3,670

Net increase in cash and cash equivalents during the period 22,094 15,172

Cash and cash equivalents at the beginning of the period 41,664 37,294

Cash and cash equivalents as at the end of the period 63,758 52,466

The annexed notes form an integral part of this condensed interim financial information.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(Management Company)



Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

1 LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Capital Market Fund (PCMF) was established under a trust deed executed between Arif Habib Investments Limited (AHIL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee on October 27, 2003. The Investment Adviser of PCMF obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake investment advisory services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. Formation of PCMF as a closed-end scheme was authorized by SECP on November 5, 2003.

During the year 2005, the Fund was converted from a closed-end scheme to an open-end scheme. The Fund is listed on all three stock exchanges in Pakistan. The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the management company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

The Board of Directors have approved that the Fund should be categorised as "Balanced Scheme" as per the Securities and Exchange Commission of Pakistan Circular 7 of 2009 dated 6 March 2009.

Pursuant to the merger of MCB Asset Management Limited and Arif Habib Investment Limited, the name of the Management Company has been changed from Arif Habib Investment Limited to MCB-Arif Habib Savings and Investments Limited.

The fund primarily invests in a mix of listed equity and debt securities, unlisted government securities and secured debt securities, money market transactions and reverse purchase transactions.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned long-term entity-rating of MCB-Arif Habib Savings and Investments Limited, the Asset Management Company, "3 Star" while outlook as "Stable".

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations 2008) and directives issued by the SECP. Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations 2008 and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations 2008 and the said directives shall prevail.

This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the financial statements for the year ended 30 June 2014.

The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information are unaudited. The Directors of the asset management company declare that this condensed interim financial information give a true and fair view of the Fund.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

2.2 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparation of these condensed interim financial statements are the same as those applied in the preparation of the published financial statements of the Fund for the year ended June 30, 2014.

4 INVESTMENTS

		Un-Audited September 30, 2014	Audited June 30 2014
		----- Rupees in '000 -----	
Financial assets 'at fair value through profit or loss'			
- Listed equity securities	4.1	243,757	228,340
- Term Finance Certificates - listed	4.2	5,824	31,906
- Government securities	4.3	54,244	44,516
		<u>303,825</u>	<u>304,762</u>
Investment classified as available for sale'			
- Listed equity securities	4.4	11,302	11,217
		<u><u>315,127</u></u>	<u><u>315,979</u></u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

Listed equity securities - 'at fair value through profit or loss'

Name of the Investee company	As at July 1, 2014	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at September 30, 2014	Balance as at September 30, 2014			Market value as percentage of investments	Market value as percentage of net assets	Paid up value of shares held as a percentage of total paid up capital of the investee company
						Carrying Value	Market value	Appreciation / (Diminution)			
-----Number of shares----- Rupees in '000-----											
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs 10 each unless stated otherwise											
OIL AND GAS											
ATTOCK PETROLEUM LIMITED	4,300	6,500	-	-	10,800	6,114	5,860	(253)	1.86	1.58	0.01
PAKISTAN OILFIELDS LIMITED	531	4,000	-	4,500	31	17	16	(1)	0.01	0.00	0.00
PAKISTAN PETROLEUM LTD	33,430	48,000	-	-	81,430	18,366	18,407	41	5.84	4.95	0.00
PAKISTAN STATE OIL CO LTD.	86,664	-	-	86,600	64	25	23	(2)	0.01	0.01	0.00
NATIONAL REFINERY LIMITED	2,200	-	-	-	2,200	-	-	-	-	-	-
						24,522	24,307	(215)			
CHEMICALS											
ENGRO FERTILIZER LIMITED	1,810	198,500	-	73,500	126,810	6,903	6,798	(105)	2.16	1.83	0.01
ENGRO CORPORATION LIMITED	600	-	-	-	600	107	99	(8)	0.03	0.03	0.00
FAUJI FERTILIZER COMPANY LTD	63,500	35,000	-	70,000	28,500	3,222	3,233	11	1.03	0.87	0.00
						10,232	10,130	(102)			
CONSTRUCTION AND MATERIALS											
ATTOCK CEMENT PAKISTAN LIMT	44,000	-	-	4,500	39,500	6,229	6,992	763	2.22	1.88	0.03
CHERAT CEMENT	67,100	-	-	67,100	-	-	-	-	-	0.00	0.00
D.G. KHAN CEMENT	-	158,000	-	25,000	133,000	10,842	10,600	(242)	3.36	2.85	0.03
KOHAT CEMENT LTD	30,500	-	-	30,000	500	64	60	(3)	0.02	0.02	0.00
LUCKY CEMENT	4,600	35,500	-	24,500	15,600	5,878	6,265	386	1.99	1.69	0.00
MAPLE LEAF CEMENT FACTORY I	290,000	206,000	-	96,000	400,000	11,593	10,876	(717)	3.45	2.93	0.08
PIONEER CEMENT LTD	121,000	25,000	-	-	146,000	6,964	7,713	750	2.45	2.08	0.06
						41,571	42,506	937			
AUTOMOBILE AND PARTS											
PAK SUZUKI MOTOR CO	34,200	-	-	28,000	6,200	1,698	1,763	65	0.56	0.47	0.01
						1,698	1,763	65			
PERSONAL GOODS											
BATA PAKISTAN LIMITED	-	2,880	-	-	2,880	9,089	8,935	(153)	2.84	2.40	0.04
						9,089	8,935	(153)			

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014

Name of the Investee company	As at July 1, 2014	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at September 30, 2014	Balance as at September 30, 2014			Market value as percentage of investments	Market value as percentage of net assets	Paid up value of shares held as a percentage of total paid up capital of the investee company
						Carrying Value	Market value	Appreciation / (Diminution)			
-----Number of shares-----											
-----Rupees in '000-----											
ELECTRICITY											
HUB POWER COMPANY LTD	264,013	-	-	209,000	55,013	3,231	3,520	288	1.12	0.95	0.00
KOT ADDU POWER CO. LTD	238,500	3,000	-	147,000	94,500	5,584	6,075	491	1.93	1.64	0.01
NISHAT POWER LTD	237,500	-	-	69,500	168,000	5,977	6,434	457	2.04	1.73	0.05
						14,793	16,030	1,236			
BANKS											
ALLIED BANK LIMITED	-	60,000	-	-	60,000	7,380	6,784	(596)	2.15	1.83	-
ASKARI BANK LIMITED	-	405,000	-	150,000	255,000	5,572	5,495	(77)	1.74	1.48	0.02
BANK AL FALAH LIMITED	510,000	-	-	-	510,000	14,025	14,474	449	4.59	3.90	0.00
BANK AL HABIB LIMITED	179,500	190,500	-	66,500	303,500	13,684	13,739	56	4.36	3.70	0.03
FAYSAL BANK LIMITED	335,000	75,000	-	250,000	160,000	2,652	2,877	225	0.91	0.77	0.02
HABIB BANK LIMITED	13,860	28,000	-	13,000	28,860	5,888	6,037	149	1.92	1.62	-
HABIB METROPOLITAN BANK	222,000	250,000	-	57,500	414,500	12,795	13,057	262	4.14	3.51	0.04
MCB BANK LIMITED	2,600	12,200	-	-	14,800	4,216	4,182	(34)	1.33	1.13	0.00
UNITED BANK LIMITED	78,554	58,600	-	20,000	117,154	20,311	22,065	1,754	7.00	5.94	0.01
NATIONAL BANK OF PAKISTAN	25,500	-	-	25,500	-	-	-	-	-	-	-
						86,523	88,710	2,188			
NON LIFE INSURANCE											
IGI INSURANCE LIMITED	35,900	-	-	-	35,900	8,175	8,047	(128)	2.55	2.17	0.00
						8,175	8,047	(128)			
ENGINEERING											
AL-GHAZI TRACTORS	-	12,000	-	-	12,000	3,540	3,498	(42)	1.11	0.94	0.00
MILLAT TRACTORS LIMITED	-	14,000	-	-	14,000	7,338	7,744	406	2.46	2.08	0.03
						10,878	11,242	364			
INDUSTRIAL METALS AND MINNING											
INTERNATIONAL INDUSTRIES	85,500	-	-	-	85,500	4,227	5,609	1,382	1.78	1.51	0.00
						4,227	5,609	1,382			
GENERAL INDUSTRIALS											
PACKAGES LIMITED	26,300	-	-	23,000	3,300	1,655	2,028	373	0.64	0.55	0.00
THAL LIMITED	59,000	-	-	-	59,000	12,236	14,219	1,983	4.51	3.83	0.00
TRI-PAK FILMS	30,000	-	-	-	30,000	5,086	5,378	292	1.71	1.45	0.00
						18,977	21,625	2,648			

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4.2 Term finance and sukuk certificates

Debt Securities

Less: Provision on Maple leaf Cement Factory Limited

On 1 July

Charges during the year

Reversal during the year

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2014

4.2.1 Term Finance Certificates - 'at fair value through profit or loss'

Name of the investee company	Issue date	As at July 1, 2014	Purchases during the period	Sales / matured during the period	As at September 30, 2014	September 30, 2014			--- Market Value ---	
						Carrying Value	Market value	Appreciation / (Diminution)	As a percentage of total investments	As a percentage of net assets
----- Number of certificates -----						----- Rupees in '000 -----				
United Bank Limited III	8-Sep-06	7,020	-	7,020	-	-	-	-	0.00	0.00
Bank Alfalah Limited	20-Feb-13	4,000	-	4,000	-	-	-	-	0.00	0.00
Maple Leaf Cement Factory Limited	3-Dec-07	2,000	-	-	2,000	5,617	5,824	207	1.92	1.57
Total as at September 30, 2014						5,617	5,824	207		
Total as at June 30, 2014						30,505	31,906	1,401		

4.2.2 Movement in provision against debt securities

	Un-Audited September 30, 2014	Audited June 30 2014
	----- Rupees in '000 -----	
Opening Balance	-	4,302
Add: Charge for the period	-	-
Less: Reversal of provision	-	(4,302)
Charge for the period - net	-	(4,302)
Closing balance	-	-

4.3 Government securities - 'at fair value through profit or loss'

Particulars	Face value					September 30, 2014			Market value as a percentage of total investments	Market value as a percentage of net assets
	As at July 1, 2014	Purchases during the period	Sales during the period	Matured during the period	As at September 30, 2014	Carrying Value	Market value	Appreciation / (Diminution)		
----- Rupees in '000 -----										
Market Treasury Bills										
Treasury Bill - 3 Months	45,000	55,000	-	45,000	55,000	54,257	54,244	(13)	17.85	15
Treasury Bill - 06 Months	-	30,000	-	30,000	-	-	-	-	0.00	-
						54,257	54,244	(13)		
Total as at September 30, 2014						54,257	54,244	(13)		
Total as at June 30, 2014						44,517	44,516	(1)		

4.4 Listed equity securities - 'available for sale'

Name of the Investee company	As at July 1, 2014	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at September 30, 2014	September 30, 2014			Market value as percentage of investments	Market value as percentage of net assets	Paid up value of shares held as a percentage of total paid up capital of the investee
						Cost	Market value	Appreciation / (Diminution)			
-----Number of shares-----						-----Rupees in '000-----					
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs 10 each unless stated otherwise											
OIL AND GAS											
PAKISTAN PETROLEUM LTD	50,000	-	-	-	50,000	11,306	11,302	(4)	3.59	3.04	0.00
						11,306	11,302	(4)			
Total as at September 30, 2014						11,306	11,302	(4)			
Total as at June 30, 2014						11,309	11,217	(92)			

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

		Un-Audited September 30 2014	Audited June 30 2014
		----- Rupees in '000 -----	
5	ACCRUED EXPENSES AND OTHER LIABILITIES		
	Provision for Federal Excise Duty and related taxes	5.1 1,744	1,403
	Provision for Workers' Welfare Fund	5.2 8,054	7,812
	Brokerage payable	217	332
	Auditor's remuneration payable	488	364
	Credit rating fee	135	109
	Payable to National Clearing Company Limited	20	15
	Others	413	333
		<u>11,071</u>	<u>10,368</u>

5.1 Federal Excise Duty on remuneration of Management Company

The Finance Act, 2013 introduced an amendment to Federal Excise Act, 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by assets management companies. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the eighteenth amendment. The SHC in its short order dated 4 September 2013 directed the FBR not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related taxes in this financial information aggregating to Rs. 1.744 million as at 30 September 2014. In case, the suit is decided against the fund the same would be paid to management company, who will be responsible for submitting the same to authorities. Had the said provision of FED and related taxes were not recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.04 per unit as at 30 September 2014.

5.2 Provision for Worker Welfare Fund

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending for adjudication.

Subsequent to the year ended 30 June 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on 14 December 2010, the Ministry filed its response against the Constitutional Petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the year ended 30 June 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions filed by companies other than mutual funds declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

However, as per advice of legal counsel the stay granted to CIS remains intact and the constitution petitions filed by the CIS to challenge the WWF contribution have not been affected by the SHC judgment.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

In view of the afore mentioned developments and uncertainties created by the recent decision by Honourable Sindh High Court, the Management company, as a matter of abundant precaution, has decided to retain the entire provision for WWF. During the quarter the Fund charged Rs.0.238 million on account of WWF. The aggregate amount of WWF charged as on September 30, 2014 is Rs. 8.054 million. If the same were not made the NAV of the fund would have been higher by Rs. 0.20 per unit.

6 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders by way of cash dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance 2001. Since the management intends to distribute the income earned by the Fund during the year to the unit holders in the manner as explained above accordingly no provision for taxation has been made in these financial statements.

7 EARNINGS PER UNIT

Earnings / (Loss) per unit has not been disclosed as in the opinion of the management determination of cumulative weighted average number of outstanding units for calculating earnings / (loss) per unit is not practicable.

8 DETAILS OF NON-COMPLIANCE WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Board of Directors of the Management Company has approved the category of the Fund as a "Balanced Scheme".

In accordance with clause (iv) of the investment criteria laid down for 'Balanced Scheme', the Fund is not allowed to invest in any debt security having a rating lower than A- (A minus). However, as at September 30, 2013, the Fund is non-compliant with the above-mentioned requirement in respect of the following:

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
-----Rupees '000-----						
Investment in debt securities*	Maple Leaf Cement Factory Limited - Term Finance Certificate (03-Dec-2007)	5,824	-	5,824	1.57	1.51

9 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel and other associated undertakings.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

Other transactions with connected persons are in the normal course of business, and are carried out on agreed terms.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

Details of transactions with the connected persons and balances with them as at period end are as follows:

9.1 Transactions during the period

	September, 2014	September, 2013
	-----Rupees in '000-----	
MCB Arif Habib Savings & Investments Limited		
- Remuneration of management company including indirect taxes	2,472	2,879
Arif Habib Limited - Brokerage house		
- Brokerage expense*	25	20
MCB Bank Limited		
- Bank Charges	6	1
- Profit on deposit account	906	936
- Dividend Income	9	-
Central Depository Company of Pakistan Limited - Trustee		
- Remuneration for the period	185	214
- CDS charges	11	12
Directors and executives of the Management Company		
- Redemption of 8,871 units (2013: Nil Units)	80	-
- Bonus units issued: Nil units (2013: 2,783 Bonus units)	-	23

9.2 Amounts outstanding as at period / year end

	Un-Audited September 30, 2014	Audited June 30, 2014
	-----Rupees '000-----	
MCB Arif Habib Savings & Investments Limited		
- Remuneration Payable to the Management Company	607	589
- Sale tax on management fee	91	94
- Sales load payable	22	30
MCB Bank Limited		
- Bank Balance	58,782	37,784
- Profit receivable on deposit accounts	274	132
- 14,800 shares held by the fund (30 June 2014: 2,600 shares)		
Arif Habib Limited - Brokerage house		
- Brokerage Payable	-	28
Nishat Power Limited		
- 168,800 shares held by the fund (30 June 2014: 237,500 shares)	6,434	8,450
D.G. Khan Cement Company Limited		
- 133,000 shares held by the fund (30 June 2014: Nil shares)	10,600	-
Directors and executives of the Management Company		
- Units held 15,753 (June 30, 2014: 24,624 units)	148	223
Central Depository Company of Pakistan Limited - Trustee		
- Remuneration Payable to the trustee	61	59
- Security Deposit	300	300

* The amount disclosed represents the amount of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter parties are not connected persons.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

10 DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

This condensed interim financial information was authorised for issue on October 20, 2014 by the Board of Directors of the Management Company.

**MCB-Arif Habib Savings and Investments Limited
(Management Company)**



Chief Executive Officer



Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

MCB-Arif Habib Savings and Investments Limited

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